

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Rock River, Michigan	County Marquette
Fiscal Year End 3/31/07	Opinion Date 8/30/07	Date Audit Report Submitted to State 9/27/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, P.L.C.		Telephone Number (906) 225-1166	
Street Address 102 W. Washington Street, Suite 109		City Marquette	State MI
Zip 49855		License Number 10993	
Authorizing CPA Signature 		Printed Name Robert J. Downs	

ROCK RIVER TOWNSHIP, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2007

TABLE OF CONTENTS

Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Statement of Net Assets.....	10
Statement of Activities	11
Governmental Funds – Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balance.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Fiduciary Funds – Statement of Fiduciary Net Assets	16
Notes to Financial Statements.....	17

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

General Fund – Budgetary Comparison Schedule.....	27
Fire Fund – Budgetary Comparison Schedule	28

OTHER SUPPLEMENTAL INFORMATION

Major Governmental Funds – General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	30
Major Government Funds – Fire Fund – Statement of Revenues, Expenditures and Changes in Fund Balance	34
Fiduciary Funds – Combining Statement of Net Assets	35

COMPLIANCE SUPPLEMENTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Report to Management Letter	39



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan
P.O. Box 195
Chatham, Michigan 49816

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Rock River, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township of Rock River, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Rock River, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Rock River, Michigan as of March 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007 on our consideration of the Township of Rock River, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Supervisor and Members of
the Township Board of Trustees
Rock River Township, Michigan

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 27 and 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Rock River, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statement. The combining and individual nonmajor fund financial statements, and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

August 30, 2007

Township of Rock River, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Rock River Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2007. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Township as a whole increased by \$36,445 or 11 percent as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$157,029.
- The General Fund reported a net fund balance of \$179,345 with a \$(14,030) decrease for the current year. This was \$32,629 higher than the forecasted decrease of \$46,659.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 6. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.

- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township has no business-type activities.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 16. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table 1 provides a summary of the Township's net assets as of March 31, 2007 and 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued):

Table 1
Net Assets

	Governmental Activities – 2007	Governmental Activities – 2006
Current and other assets	\$210,283	\$240,269
Capital assets, net	249,355	94,430
Total Assets	<u>\$459,638</u>	<u>\$334,699</u>
Current liabilities	21,707	984
Non-current liabilities	67,771	-
Total Liabilities	<u>89,478</u>	<u>984</u>
Net Assets:		
Invested in capital assets,	161,055	94,430
Net of related debt		
Restricted	-	-
Unrestricted (deficit)	209,105	239,285
Total Net Assets	<u>\$370,160</u>	<u>\$333,715</u>

Net assets of the Township's governmental activities stood at \$370,160. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$209,105.

The \$209,105 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years ended 2007 and 2006.

Table 2
Change in Net Assets

	Governmental Activities – 2007	Governmental Activities – 2006
Revenues		
Program Revenues:		
Charges for services	\$6,454	\$7,367
Operating grants & contributions	11,547	49,344
Capital grants & contributions	-	-
General Revenues:		
Property taxes	82,812	68,596
State Sources	68,501	67,783
Interest and Miscellaneous	24,160	16,906
Total Revenues	<u>193,474</u>	<u>209,996</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities – 2007	Governmental Activities – 2006
Program Expenses:		
Legislative	\$ 7,750	\$ 4,877
General Services and Administration	65,194	53,844
Public Safety	33,602	36,954
Public Works	8,603	11,619
Community & Economic Development	3,243	6,069
Recreation and Culture	10,919	9,337
Other	27,718	81,004
Total Expenses	<u>157,029</u>	<u>204,056</u>
Increase (decrease) in net assets	36,445	5,940
Net assets, beginning	333,715	327,775
Net Assets, Ending	<u>\$370,160</u>	<u>\$333,715</u>

The Township's total revenues were \$193,474. The total cost of all programs and services was \$157,029, leaving an increase in net assets of \$36,445. Our analysis below considers the operations of governmental activities:

Governmental Activities

The net assets of the Township's governmental activities increased \$36,445 for the year ended March 31, 2007.

The governmental fund had a decrease of \$(30,181), capital outlays of \$171,297, depreciation expense of \$16,371, and new loan proceeds of \$88,300, leaving a net increase of \$36,445.

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a *combined* fund balance of \$209,105, which is a decrease of \$(30,181) from the beginning of the year.

The total net loss of \$(30,181) was partially due to the Fire Fund's loss of \$(16,151) caused by the purchase of a new fire truck.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

We adjusted our revenue and expenses to reflect the increase in Township Attorney by \$777 because of the Utility Litigation, Township Capital Outlay by \$850 because of the unexpected need for a new computer, Highway and Streets expenditures by \$4,000 for projects not originally budgeted for, a transfer from the General Fund to the Fire Fund for \$24,844 to purchase a new fire truck after a millage passed in August and made adjustments for immaterial differences throughout the year. After all amendments were made expenses were \$5,093 under budget for fiscal year 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007 the Township had \$249,355 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2007	Governmental Activities – 2006
Land	\$ 41,500	\$ 41,500
Buildings and improvements	38,711	41,579
Equipment and furnishings	169,144	11,351
	<u>\$249,355</u>	<u>\$ 94,430</u>

Debt

At year-end, the Township had \$88,300 in Notes outstanding as depicted in Table 4 below.

Table 4
Outstanding Debt at Year-End

	Governmental Activities – 2007	Governmental Activities – 2006
Note Payable – Fire Truck	<u>\$ 88,300</u>	<u>\$ -</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Anticipated issues for the 2007/2008 budget are again the utility litigation settlement and gravel purchase for Highway and Streets.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rock River Township, P.O. Box 195, Chatham, Michigan, 49816.

Township of Rock River, Michigan

STATEMENT OF NET ASSETS

March 31, 2007

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 185,124
Cash and investments - restricted	-
Receivables (net)	25,159
TOTAL CURRENT ASSETS	<u>210,283</u>
Non-current assets:	
Capital assets	556,210
Accumulated depreciation	(306,855)
Total Capital Assets	<u>249,355</u>
TOTAL NON-CURRENT ASSETS	<u>249,355</u>
TOTAL ASSETS	<u>459,638</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	-
Accrued liabilities	1,178
Deferred revenue	-
Current portion of loans payable	20,529
Other current liabilities	-
TOTAL CURRENT LIABILITIES	<u>21,707</u>
Non-current Liabilities:	
Loans payable	<u>67,771</u>
TOTAL NON-CURRENT LIABILITIES	<u>67,771</u>
TOTAL LIABILITIES	<u>89,478</u>
NET ASSETS	
Invested in capital assets net of related debt	161,055
Restricted for:	
Debt Service	-
Unrestricted	<u>209,105</u>
TOTAL NET ASSETS	<u>\$ 370,160</u>

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2007

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary Government:					
Governmental Activities:					
Legislative	\$ 7,750	\$ -	\$ -	-	(7,750)
General services and administration	65,194	4,384	11,547	-	(49,263)
Public safety	33,602	-	-	-	(33,602)
Public works	8,603	-	-	-	(8,603)
Community and economic development	3,243	850	-	-	(2,393)
Recreation and culture	10,919	1,220	-	-	(9,699)
Other	27,718	-	-	-	(27,718)
Total Governmental Activities	157,029	6,454	11,547	-	(139,028)
TOTAL PRIMARY GOVERNMENT	\$ 157,029	\$ 6,454	\$ 11,547	\$ -	\$ (139,028)
General Revenues:					
Taxes				\$ 82,812	\$ 82,812
Unrestricted State sources				68,501	68,501
Interest and investment earnings				15,508	15,508
Miscellaneous				8,652	8,652
Transfers				-	-
TOTAL GENERAL REVENUES AND TRANSFERS				175,473	175,473
CHANGE IN NET ASSETS				36,445	36,445
Net assets, beginning of year				333,715	333,715
NET ASSETS, END OF YEAR				\$ 370,160	\$ 370,160

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2007

	General Fund	Fire Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 158,860	\$ 26,264	\$ 185,124
Receivables	16,861	-	16,861
Taxes receivable	2,831	3,496	6,327
Due from other funds	1,971	-	1,971
TOTAL ASSETS	\$ 180,523	\$ 29,760	\$ 210,283
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll and related	1,178	-	1,178
Deferred revenue	-	-	-
TOTAL LIABILITIES	1,178	-	1,178
FUND BALANCE:			
Unreserved, reported in:			
General Fund	179,345	-	179,345
Fire Fund	-	29,760	29,760
TOTAL FUND BALANCE	179,345	29,760	209,105
TOTAL LIABILITIES AND FUND BALANCE	\$ 180,523	\$ 29,760	\$ 210,283

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2007

Total Fund Balances for Governmental Funds \$ 209,105

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	556,210	
Accumulated Depreciation of Assets	<u>(306,855)</u>	249,355

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	20,529	
Bonds payable	<u>67,771</u>	<u>(88,300)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 370,160

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2007

	General Fund	Fire Fund	Total Governmental Funds
REVENUES:			
Taxes	\$ 55,549	\$ 27,263	\$ 82,812
Licenses and permits	-	-	-
Federal sources	11,547	-	11,547
State sources	68,501	-	68,501
Charges for services	6,454	-	6,454
Interest	14,545	963	15,508
Other	6,005	2,647	8,652
TOTAL REVENUES	162,601	30,873	193,474
EXPENDITURES:			
Current operations:			
Legislative	7,750	-	7,750
General services and administration	74,676	-	74,676
Public safety	21,159	160,168	181,327
Public works	8,603	-	8,603
Community and economic development	3,243	-	3,243
Recreation and culture	8,638	-	8,638
Other	27,718	-	27,718
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	151,787	160,168	311,955
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,814	(129,295)	(118,481)
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	-	88,300	88,300
Transfers:			
Transfers in	-	24,844	24,844
Transfers (out)	(24,844)	-	(24,844)
TOTAL OTHER FINANCING SOURCES (USES)	(24,844)	113,144	88,300
CHANGE IN FUND BALANCE	(14,030)	(16,151)	(30,181)
Fund balance, beginning of year	193,375	45,911	239,286
FUND BALANCE, END OF YEAR	\$ 179,345	\$ 29,760	\$ 209,105

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ (30,181)**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which capital outlays exceeded depreciation in the
current period.

Capital outlays	\$ 171,297	
Depreciation expense	<u>(16,371)</u>	
		<u>154,926</u>

New note principal is revenue in the governmental
funds, but the new loan increases long-term liabilities
in the statement of net assets

(88,300)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 36,445

The accompanying notes are an integral part of these financial statements.

Township of Rock River, Michigan
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
 March 31, 2007

	<u>Agency Funds</u>
ASSETS:	
Cash and equivalents	\$ 1,971
TOTAL ASSETS	<u>\$ 1,971</u>
LIABILITIES:	
Due to other funds	\$ 1,971
Due to others	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,971</u>

The accompanying notes are an integral part of these financial statements.

ROCK RIVER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township does not have any business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- **General Fund** – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- **Fire Fund** – The Fire Fund is used to account for financial resources to be used for the acquisition of capital expenditures relating to fire equipment (other than those financed by business-type/proprietary funds).

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Fire Fund** accounts for the purchase of capital assets of the Fire Department.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Rock River Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Rock River Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$185,124	\$1,971	\$187,095
Investments	-	-	-
	<u>185,124</u>	<u>1,971</u>	<u>187,095</u>
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
TOTALS	<u>\$185,124</u>	<u>\$1,971</u>	<u>\$187,095</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amount of the primary government and fiduciary fund's deposits with financial institutions was \$187,095 and the bank balance was \$189,071. The bank balance is categorized as follows:

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Amount insured by the FDIC or uncollateralized with securities held by the Township in its name	\$175,000
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	14,071
Collateralized and uninsured	
TOTAL	<u>\$189,071</u>

Investments

As of March 31, 2007, the Township did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. The Township's investments are rated as noted above. Ratings are not required for the Township's investment in equity-type funds. The Township's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables relating to tax collected by very yet to be disbursed are:

		DUE FROM OTHER FUNDS	
DUE TO OTHER FUNDS	General Fund	Tax Collection Fund	Total
		\$ 1,971	\$ 1,971
		Total \$ 1,971	Total \$ 1,971

NOTE D – INTERFUND TRANSFERS IN AND OUT:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

		Transfer Out To Other Funds	
Transfer In From Other Funds	Fire Fund	General Fund	Total Transfers In
		\$ 24,844	\$ 24,844
	Total Transfers Out	\$ 24,844	\$ 24,844

NOTE E – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, 2006	Additions	Disposals	Balance at March 31, 2007
GOVERNMENTAL ACTIVITIES:				
Land	\$41,500	\$-	\$-	\$41,500
Total Capital Assets, not being depreciated	41,500	-	-	41,500
Buildings and improvements	114,700	-	-	114,700
Furniture and equipment	248,714	171,296	20,000	400,010
Total Capital Assets, being depreciated	363,414	-	-	514,710
Less Accumulated Depreciation:				
Buildings and improvements	\$(73,121)	\$(2,867)	\$-	\$(75,988)
Furniture and equipment	(237,363)	(13,504)	20,000	(230,867)
Total Accumulated Depreciation	(310,484)	(16,371)	20,000	(306,855)
Governmental Activities Capital Assets, Net	\$94,430	\$154,925	\$-	\$249,355

Depreciation expenses for governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$1,240
Elections	825
Public Safety	12,025
Recreation and Culture	2,281
Total	<u>\$16,371</u>

NOTE F – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2006 taxable valuation of the Local Governmental Unit totaled \$27,091,792, on which ad valorem taxes levied consisted of 0.8099 mills for the Local Governmental Unit operation purposes and 1.0000 mills for the Local Fire Department. These amounts are recognized in the General Fund and Fire Fund financial statements as revenue.

NOTE G – CONTINGENT LIABILITIES:

Risk Management – The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE H – DEFERRED COMPENSATION PLAN:

The Township has a defined contribution retirement plan through Municipal Retirement Systems, Inc., covering all salaried employees, whom are at least 18 years of age. The Township's contributions for all funds amounted to \$1,825 for the year ended March 31, 2007.

The Township's share of the premium due under the policy is computed as 10% of total wages. Each plan participant is 100% vested upon entering the plan.

NOTE I – LONG-TERM DEBT:

Schedule of 2006 Fire Truck Loan
March 31, 2007

	December 13		
	Interest	Principal	Total
2008	\$4,371	\$20,529	\$24,900
2009	3,355	21,545	24,900
2010	2,288	22,612	24,900
2011	1,169	23,614	24,783
TOTALS	<u>\$11,183</u>	<u>\$88,300</u>	<u>\$99,483</u>

	April 1, 2006	Additions	Subtractions	March 31, 2007
Governmental Activities:				
Fire Truck Loan	\$-	\$88,300	\$-	\$88,300
Total Governmental Activities	<u>\$-</u>	<u>\$88,300</u>	<u>\$-</u>	<u>\$88,300</u>

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

Township of Rock River, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 42,225	\$ 42,225	\$ 55,549	\$ 13,324
Federal sources	-	-	11,547	11,547
State sources	68,440	68,440	68,501	61
Charges for services	8,150	8,150	6,454	(1,696)
Interest and rents	10,800	10,950	14,545	3,595
Other revenues	5,300	5,300	6,005	705
TOTAL REVENUES	134,915	135,065	162,601	27,536
EXPENDITURES:				
Legislative	5,500	7,844	7,750	94
General services and administration	64,680	69,650	74,676	(5,026)
Public safety	28,470	28,470	21,159	7,311
Public works	4,050	8,604	8,603	1
Community and economic development	3,100	3,300	3,243	57
Recreation and culture	10,410	10,448	8,638	1,810
Other	30,950	28,564	27,718	846
TOTAL EXPENDITURES	147,160	156,880	151,787	5,093
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,245)	(21,815)	10,814	32,629
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	(24,844)	(24,844)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(24,844)	(24,844)	-
CHANGE IN FUND BALANCE	(12,245)	(46,659)	(14,030)	32,629
Fund balance, beginning of year	193,375	193,375	193,375	-
FUND BALANCE, END OF YEAR	\$ 181,130	\$ 146,716	\$ 179,345	\$ 32,629

Township of Rock River, Michigan

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 23,650	\$ 23,650	\$ 27,263	\$ 3,613
State sources	150,100	150,100	-	(150,100)
Charges for services	-	-	-	-
Interest and rents	750	750	963	213
Other revenues	-	-	2,647	2,647
TOTAL REVENUES	174,500	174,500	30,873	(143,627)
EXPENDITURES:				
Legislative	-	-	-	-
Elections	-	-	-	-
General services and administration	-	-	-	-
Public safety	162,600	164,350	160,168	4,182
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	162,600	164,350	160,168	4,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,900	10,150	(129,295)	(139,445)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	88,200	88,300	(100)
Transfers in (out)	-	24,844	24,844	-
TOTAL OTHER FINANCING SOURCES (USES)	-	113,044	113,144	(100)
CHANGE IN FUND BALANCE	11,900	123,194	(16,151)	(139,545)
Fund balance, beginning of year	45,911	45,911	45,911	-
FUND BALANCE, END OF YEAR	\$ 57,811	\$ 169,105	\$ 29,760	\$ (139,545)

Other Supplemental Information

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 18,000	\$ 19,138	\$ 1,138
Delinquent taxes	4,000	2,831	(1,169)
Commercial forest reserve	225	117	(108)
National forest reserve	4,000	6,297	2,297
Swamp tax	9,500	19,017	9,517
Tax collection fees	6,500	8,149	1,649
Total Taxes	42,225	55,549	13,324
Federal Sources:			
Grants	-	11,547	11,547
Total Federal Sources	-	11,547	11,547
State Sources:			
State revenue sharing	68,000	68,061	61
State liquor license	440	440	-
Total State Sources	68,440	68,501	61
Charges for Services:			
Ski hill	1,950	1,220	(730)
Library	-	-	-
Village shared expense	900	855	(45)
Zoning	500	850	350
School election	800	879	79
Cemetery	4,000	2,650	(1,350)
Total Charges for Services	8,150	6,454	(1,696)
Interest and Rents:			
Interest	5,500	8,230	2,730
Rents	5,450	6,315	865
Total Interest and Rents	10,950	14,545	3,595
Other Revenues:			
Reimbursements	3,000	2,970	(30)
Miscellaneous other	2,300	3,035	735
Total Other Revenues	5,300	6,005	705
TOTAL REVENUES	135,065	162,601	27,536
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	3,200	3,143	57
Supplies	700	697	3
Other services and charges	3,094	2,539	555
Capital outlay	850	1,371	(521)
TOTAL LEGISLATIVE	7,844	7,750	94
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	4,225	4,256	(31)
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	4,225	4,256	(31)

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Assessor:			
Personnel services	\$ 16,800	\$ -	\$ 16,800
Supplies	1,111	1,030	81
Other services and charges	6,139	22,721	(16,582)
Total Assessor	24,050	23,751	299
Elections:			
Personnel services	1,785	1,689	96
Supplies	1,165	1,141	24
Other services and charges	-	-	-
Capital outlay	-	11,547	(11,547)
Total Elections	2,950	14,377	(11,427)
Clerk:			
Personnel services	4,425	4,411	14
Supplies	-	-	-
Other services and charges	-	-	-
Total Clerk	4,425	4,411	14
Board of Review:			
Personnel services	1,150	957	193
Supplies	-	-	-
Other services and charges	270	269	1
Total Board of Review	1,420	1,226	194
Treasurer:			
Personnel services	6,100	5,522	578
Supplies	-	-	-
Other services and charges	800	800	-
Total Treasurer	6,900	6,322	578
Township Hall and Grounds:			
Personnel services	1,800	1,813	(13)
Supplies	250	141	109
Other services and charges	12,250	8,869	3,381
Capital outlay	4,000	3,570	430
Total Township Hall and Grounds	18,300	14,393	3,907
Cemetery:			
Personnel services	2,520	2,539	(19)
Supplies	200	101	99
Other services and charges	4,261	2,901	1,360
Capital outlay	399	399	-
Total Cemetery	7,380	5,940	1,440
TOTAL GENERAL SERVICES AND ADMINISTRATION	69,650	74,676	(5,026)
PUBLIC SAFETY:			
Police Department:			
Personnel services	440	440	-
Supplies	-	-	-
Other services and charges	-	-	-
Total Police Department	440	440	-

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Fire Department:			
Personnel services	\$ 5,080	\$ 4,701	\$ 379
Supplies	2,500	2,393	107
Other services and charges	16,810	9,989	6,821
Capital outlay	3,640	3,636	4
Total Fire Department	28,030	20,719	7,311
TOTAL PUBLIC SAFETY	28,470	21,159	7,311
PUBLIC WORKS:			
Streets:			
Other services and charges	6,199	6,199	-
Total Streets	6,199	6,199	-
Streetlights:			
Other services and charges	1,090	1,089	1
Total Refuse Collection	1,090	1,089	1
Refuse Collection:			
Other services and charges	1,315	1,315	-
Total Refuse Collection	1,315	1,315	-
TOTAL PUBLIC WORKS	8,604	8,603	1
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning and Zoning Commission:			
Personnel services	3,125	3,145	(20)
Supplies	75	2	73
Other services and charges	100	96	4
Total Planning and Zoning Commission	3,300	3,243	57
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	3,300	3,243	57
RECREATION AND CULTURE:			
Parks and Recreation:			
Personnel services	-	-	-
Supplies	50	45	5
Other services and charges	4,150	2,834	1,316
Total Parks and Recreation	4,200	2,879	1,321
Ski Hill:			
Personnel services	-	-	-
Supplies	247	217	30
Other services and charges	2,603	3,595	(992)
Capital outlay	1,398	-	1,398
Total Ski Hill	4,248	3,812	436
Library:			
Personnel services	2,000	1,947	53
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Library	2,000	1,947	53
TOTAL RECREATION AND CULTURE	10,448	8,638	1,810

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended March 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER:			
Fringe Benefits	\$ 3,570	\$ 3,544	\$ 26
Insurance and bonds	21,762	20,787	975
Miscellaneous	3,232	3,387	(155)
TOTAL OTHER	<u>28,564</u>	<u>27,718</u>	<u>846</u>
TOTAL EXPENDITURES	<u>156,880</u>	<u>151,787</u>	<u>5,093</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(21,815)</u>	<u>10,814</u>	<u>32,629</u>
OTHER FINANCING SOURCES (USES):			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Transfers:			
Transfers In	-	-	-
Transfers Out	<u>(24,844)</u>	<u>(24,844)</u>	<u>-</u>
Total Operating Transfers In/(Out)	<u>(24,844)</u>	<u>(24,844)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(24,844)</u>	<u>(24,844)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(46,659)</u>	<u>(14,030)</u>	<u>32,629</u>
Fund balance, beginning of year	<u>193,375</u>	<u>193,375</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 146,716</u></u>	<u><u>\$ 179,345</u></u>	<u><u>\$ 32,629</u></u>

Township of Rock River, Michigan

**MAJOR GOVERNMENTAL FUNDS
FIRE FUND**

**SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended March 31, 2007

	Final Amended Budget	Actual GAAP Basis	Variance With Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current Property Taxes	\$ 20,000	\$ 23,632	\$ 3,632
Delinquent Property Taxes	3,500	3,495	(5)
Commercial Forest Reserve	150	136	(14)
Total Taxes	23,650	27,263	3,613
State Sources:			
Grants	150,100	-	(150,100)
Total State Sources	150,100	-	(150,100)
Interest and rents:			
Interest	750	963	213
Total Interest and Rents	750	963	213
Other Revenue:			
Miscellaneous	-	2,647	2,647
Total Other Revenue	-	2,647	2,647
TOTAL REVENUES	174,500	30,873	(143,627)
EXPENDITURES:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	4,600	418	4,182
Capital outlay	159,750	159,750	-
TOTAL EXPENDITURES	164,350	160,168	4,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,150	(129,295)	(139,445)
OTHER FINANCING SOURCES (USES):			
Loan Proceeds	88,200	88,300	(100)
Transfers:			
Transfers in	24,844	24,844	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	113,044	113,144	(100)
CHANGES IN FUND BALANCE	123,194	(16,151)	(139,545)
Fund balance, beginning of year	45,911	45,911	-
FUND BALANCE, END OF YEAR	\$ 169,105	\$ 29,760	\$ (139,545)

Township of Rock River, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

March 31, 2007

	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS		
Cash and investments	\$ 1,971	\$ 1,971
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 1,971</u>	<u>\$ 1,971</u>
LIABILITIES		
Due to other funds	\$ 1,971	\$ 1,971
Due to others	-	-
TOTAL LIABILITIES	<u>\$ 1,971</u>	<u>\$ 1,971</u>

COMPLIANCE SUPPLEMENTS



PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Supervisor and Township Board of Trustees
Township of Rock River, Michigan
PO Box 195
Chatham, Michigan 49876

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Rock River, Michigan as of and for the year ended March 31, 2007, and have issued our report thereon dated August 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Rock River, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Rock River, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Rock River, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Rock River, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Rock River, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Township of Rock River, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as item 07-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Rock River, Michigan's internal control.

To the Supervisor and Township Board of Trustees
Township of Rock River, Michigan

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Rock River, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and are described in the accompanying report to management as item 07-02.

This report is intended solely for the information and use of management, the audit committee, Township Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

August 30, 2007



*Township of Rock River, Michigan
Report to Management Letter
For the Year Ended March 31, 2007*

Honorable Supervisor and Members of
the Township Board of Trustees
P.O. Box 195, Chatham, Michigan 49816

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Rock River, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Rock River, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Rock River, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Rock River, Michigan's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Honorable Supervisor and Members of the
Township Board of Trustees

07-01 – FINANCIAL REPORTING CYCLE

Condition/Criteria: The monthly and year end financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is not recording all accruals at year end.

Effect: Because not all of the accruals are being record in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

Cause of Condition: Failure to record all accruals in the general ledger.

Recommendation: We suggest that monthly and at year end, all accruals are recorded in the general ledger.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Wilma Hill, Clerk
- Corrective Action Planned:
 - The Township is planning on starting to record accruals on a monthly basis in the coming fiscal year.
- Anticipated Completion Date:
 - March 31, 2008

INSTANCE OF NON-COMPLIANCE

07-02 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621) (Repeated)

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Rock River, Michigan had actual expenditures and budgeted expenditures for the General Fund and Special Revenue Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended March 31, 2007, the Township of Rock River, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The Township of Rock River, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Township of Rock River, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Wilma Hill, Clerk

Honorable Supervisor and Members of the
Township Board of Trustees

- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - March 31, 2008

This communication is intended solely for the information and use of the management, audit committee, Township of Rock River, Michigan Board of Trustees, and others within the organization, and is not intended to be and should not be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Township of Rock River, Michigan's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 30, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

August 30, 2007

To the Board of Trustees
Township of Rock River, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Rock River, Michigan for the year ended March 31, 2007, and have issued our report thereon dated August 30, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated April 23, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Township of Rock River, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Township of Rock River, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Rock River, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006-2007. We noted no transactions entered into by Township of Rock River, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Rock River, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Rock River, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Rock River, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Rock River, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board Trustees and management of the Township of Rock River, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLLC

Certified Public Accountants